

Message Text

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ACTION EB-07

INFO OCT-01 EA-07 ISO-00 AGRE-00 AID-05 CIAE-00
COME-00 FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00
XMB-02 OPIC-03 SP-02 LAB-04 EPG-02 SIL-01 OMB-01
NSC-05 SS-15 STR-04 CEA-01 INT-05 FEA-01 /082 W
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R 130320Z JUL 77

FM AMEMBASSY JAKARTA
TO SECSTATE WASHDC 2432
INFO AMCONSUL MEDAN
AMCONSUL SURABAYA

LIMITED OFFICIAL USE SECTION 1 OF 2 JAKARTA 9314

E.O. 11652: NA

TAGS: EFIN, ETRD, ID

SUBJECT: INDONESIAN IMPORT STATISTICS

REF: A) JAKARTA 8078, B) STATE 029653, C) JAKARTA 0982

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1. SUMMARY. IN THIS MESSAGE THE EMBASSY ATTEMPTS TO RESOLVE PROBLEMS WHICH ARISE FROM THE FACT THAT THERE IS MORE THAN ONE OFFICIAL SOURCE OF IMPORT STATISTICS AND THAT THESE SOURCES VARY CONSIDERABLY. WE DOUBT THE DISCREPANCIES HAVE SERIOUSLY MISLED ANALYSTS WHO RELY PRIMARILY ON THE ONE RELIABLE SOURCE FOR IMPORT STATISTICS--BANK INDONESIA BALANCE OF PAYMENTS REPORTING, BUT THEY HAVE BEEN A SOURCE OF ONG-STADING CONFUSION. THE MULTIPLE OFFICIAL REPORTING IS NOT AN ATTEMPT TO MISLEAD, BUT RATHER SIMPLY THE RESULT OF POOR STATISTICAL WORK.

2. REF A PROVIDES CENTRAL BUREAU OF STATISTICS (CBS) DATA ON INDONESIA'S 1976 TRADE ACCOUNT. ACCORDING TO THE CBS,
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INDONESIA ENJOYED A TRADE SURPLUS OF \$2.7 BILLION LAST YEAR, BASED ON EXPORTS OF \$8.5 BILLION AND IMPORTS OF \$5.8 BILLION. WHILE WE ACCEPT THE EXPORT FIGURE AS BEING REASONABLY ACCURATE, WE BELIEVE THE IMPORT FIGURE TO BE GREATLY UNDERSTATED AND THAT IN FACT INDONESIA'S TRADE SURPLUS WAS CONSIDERABLY MORE MODEST.

3. PINNING DOWN WITH ACCURACY INDONESIAN IMPORTS HAS BEEN DIFFICULT IN RECENT YEARS. THE PROBLEM STEMS PRINCIPALLY FROM THE FACT THAT THERE ARE AT LEAST THREE DIFFERENT SETS OF OFFICIAL IMPORT STATISTICS, ONLY ONE OF WHICH IS CONSIDERED ACCURATE. IN THE FIRST INSTANCE IS BANK INDONESIA (BI) DATA WHICH APPEAR IN THE BI WEEKLY REPORT, BASED ON THE OPENING OF LETTERS OF CREDIT. SECONDLY, THERE ARE CBS STATISTICS BASED ON CUSTOMS DECLARATIONS. THE TWO USUALLY ARE REASONABLY CLOSE, BUT DIFFERENCES HAVE OCCURRED, AS DEMONSTRATED BY THE FOLLOWING:

IMPORTS (IN \$ MILLION)

	1971	1972	1973	1974	1975	1976
BI	1105.9	1452.6	2607.0	3925.0	4711.0	4435.2
CBS	1102.8	1561.7	2729.1	3841.9	4769.8	5763

(COMMENT: THE 1976 BI FIGURE OBVIOUSLY IS INCOMPLETE.)
 ADDING TO THE CONFUSION, BI FIGURE OBVIOUSLY IS
 ADDING TO THE CONFUSION, BI SWITCHES FROM THE L/C METHOD
 IN ITS WEEKLY REPORT TO USE OF THE CBS FIGURES IN ITS
 MONTHLY AND ANNUAL REPORTS. THUS THERE ARE DISCREPANCIES
 NOT ONLY BETWEEN CBS AND BI, BUT ALSO AMONG THE VARIOUS
 REPORTS BI ISSUES.
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4. THESE DIFFERENCES ARE RELATIVELY INSIGNIFICANT, HOWEVER, WHEN COMPARED WITH THE THIRD, AND ONLY ACCURATE, SET OF IMPORT STATISTICS. THESE ARE CONTAINED IN BOP FIGURES PRODUCED BY THE BI FOR VARIOUS INTERNATIONAL INSTITUTIONS AND APPEAR IN THE ANNUAL REPORTS OF THE IFI'S. FOR EXAMPLE, THE GATT RECENTLY TABBED INDONESIAN IMPORTS FOR 1976 AT \$7.9 BILLION; THE IMF IN ITS MARCH 22 REPORT ESTIMATED THE TOTAL FOR FISCAL 1976-7 AT ABOUT THE SAME LEVEL; AND THE IBRD, USING NEWER DATA, SET THE TOTAL FOR THE FISCAL YEAR AT ABOUT \$8.4 BILLION (INCLUDING NON FACTOR SERVICES). EVEN AFTER ADJUSTING THE IBRD FIGURE DOWNWARD, TO BELOW \$8 BILLION, TO ACCOUNT FOR THE NFS AND THE CALENDAR/FISCAL YEAR DIFFERENCES, THERE STILL REMAINS A HUGE DIFFERENCE BETWEEN THAT FIGURE AND THE CBS FIGURE. THE BIGGEST PART OF THE DIFFERENCE, ALMOST \$1.6 BILLION IN FY 77 ACCORDING TO BI STATISTICS, WAS FOR IMPORTS IN THE OIL SECTOR, WHICH DO NOT APPEAR IN EITHER THE NORMAL BI OR THE CBS REPORTS. THIS DOES NOT REFER TO IMPORTS OF PETROLEUM AND ITS PRODUCTS, BUT RATHER TO OIL COMPANY IMPORTS OF EQUIPMENT AND SUPPLIES FOR WHICH CUSTOMS DECLARATION

IS NOT MADE. SECONDLY, A SUBSTANTIAL PORTION OF THE IMPORTS BY FOREIGN INVESTORS, WHO, AS PART OF THEIR INCENTIVE PACKAGE ARE EXEMPTED FROM IMPORT DUTIES ON EQUIPMENT AND RAW MATERIALS, ARE NOT INCLUDED IN ROUTINE TRADE STATISTICS. THIS MAY RUN TO SEVERAL HUNDRED MILLION DOLLARS A YEAR. THIRDLY, ACCORDING TO A RECURRING STATEMENT IN THE BI MONTHLY REPORT, DIRECT IMPORT BY THE ARMED FORCES AND SOME BULOG RICE IMPORTS ARE NOT TAKEN INTO ACCOUNT BY THE CBS. (COMMENT: ALTHOUGH CBS HAS UNDERSTATED RICE IMPORTS IN THE PAST, ITS FIGURE OF \$450 MILLION FOR RICE IMPORTS IN 1976 IS ACCURATE. WE HAVE BEEN RELIABLY INFORMED THAT RICE IMPORTS WILL HENCEFORTH BE FULLY REFLECTED IN CBS STATISTICS. INFORMATION ON ARMED FORCES IMPORTS IN VERY LIMITED OFFICIAL USE

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TIGHTLY HELD. HOWEVER, EVEN IF IT IS THREE OR FOUR TIMES THE AMOUNT WE ESTIMATE, WHICH IS POSSIBLE, IT WOULD NOT HAVE A MAJOR IMPACT ON TOTAL IMPORTS. END COMMENT.) FINALLY, IT HAS BEEN SUGGESTED THAT BI FACTORS IN ADDITIONAL MILLIONS TO ACCOUNT FOR ADMINISTRATIVE SMUGGLING. THUS, WE ESTIMATE INDONESIA'S TRUE GROSS IMPORTS FOR 1976 MIGHT LOOK LIKE THIS:

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COME-00 FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00
XMB-02 OPIC-03 SP-02 LAB-04 EPG-02 SIL-01 OMB-01
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FM AMEMBASSY JAKARTA
TO SECSTATE WASHDC 2433
INFO AMCONSUL MEDAN
AMCONSUL SURABAYA

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CBS	\$5.7 BILLION
OIL SECTOR IMPORTS	1.6 "
CAPITAL EQUIPMENT OBY FOREIGN INVESTORS	.3 "
ARMED FORCES IMPORTS	.05 "
SMUGGLING	.15 "
	\$7.8 BILLION

ASSUMING THIS FIGURE TO BE ACCURATE, INDONESIA'S SURPLUS ON THE TRADE ACCOUNT FOR 1976 WAS ABOUT \$700 MILLION RATHER THAN THE \$2.7 BILLION REPORTED BY CBS. ONE FURTHER POINT TO WHICH ATTENTION SHOULD BE CALLED IS THAT THESE IMPORT AND EXPORT FIGURES ARE GROSS. THAT IS, THE TOTAL EXPORT FIGURE OF \$8.5 BILLION INCLUDES GROSS OIL EXPORTS OF ABOUT \$6 BILLION. THIS CONTRASTS WITH THE NET OIL EXPORT FIGURE OF ABOUT \$3.5 BILLION (GROSS OIL EXPORTS LESS OIL SECTOR IMPORTS OF \$1.6 BILLION AND OIL SERVICES OF ABOUT \$1 BILLION) WHICH IFI'S CONSIDER MORE MEANINGFUL AND OFTEN USE IN THEIR REPORTING.

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5. ABOVE HAS BEEN SHOWN TO BANK INDONESIA OFFICIALS WHO, AFTER MINOR ADJUSTMENTS, CONFIRMED THAT OUR FIGURES WERE CORRECT. THEY ASKED THAT THE FACT OF THIS CONFIRMATION BE KEPT CONFIDENTIAL. WE HAVE MADE THE FOREIGN UNCLASSIFIED, AND BELIEVE THIS DOES NOT VIOLATE BI'S TRUST BECAUSE IT IS GENERALLY KNOWN IN JAKARTA BANKING AND FINANCIAL CIRCLES. HOWEVER WE REQUEST THE DEPARTMENT TO TERM THE ABOVE AN EMBASSY JAKARTA ESTIMATE RATHER THAN BI PROVIDED DATA. FYI: BANK OFFICIALS RAISED OUR ESTIMATE OF OIL SECTOR IMPORTS FROM \$1.5 BILLION TO \$1.6 BILLION AND LOWERED SMUGGLING FROM \$300 MILLION TO \$150 MILLION (THEY ADMITTED SOME GOI OFFICIALS FELT THIS FIGURE SHOULD BE SEVERAL TIMES HIGHER) AND LOWERED ESTIMATE OF ARMED FORCES IMPORTS FROM \$200 MILLION TO \$50 MILLION. THEY WERE EXCEEDINGLY RELUCTANT TO TALK ABOUT THE LATTER. END FYI BI DATA OF JUNE 29, 1977 REVEALED TOTAL IMPORTS OF \$7.5 BILLION FOR CY 1976, BUT OFFICIALS SAID THIS STILL WAS ON THE LOW SIDE AND THAT EMBASSY FIGURE OF \$7.8 BILLION WAS "ABOUT CORRECT." ASKED TO COMMENT ON WIDE DISCREPANCIES IN IMPORT FIGURES, THEY SAID "WEAKNESS OF STATISTICS IS MAIN PROBLEM." BI IS THEREFORE CON-

STRAINED TO "BLOW UP" THE CBS IMPORTS FIGURES TO BE
CONSISTENT WITH THE FACTS. THEY ADMITTED THAT NO ONE
COULD STATE THE IMPORT FIGURE WITH REAL PRECISION BUT
EXPRESSED CONFIDENCE THAT THE \$7.8 BILLION FIGURE WAS
REASONABLY CLOSE.

6. COMMENT. GIVEN THE VARIETY OF OFFICIAL, BUT
DIFFERENT SOURCES, PROBLEM OF KNOWING WHICH IMPORT
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STATISTICS ARE THE CORRECT ONES MAY CONTINUE TO TROUBLE
WASHINGTON END USERS. IN ITS REPORTING ON THIS
SUBJECT EMBASSY WILL ATTEMPT ALWAYS TO IDENTIFY SOURCE
END TO COMMENT ON LIKELY ACCURACY OF STATISTICS. IN
SUM, BANK INDONESIA IMPORT FIGURES FROM BALANCE OF PAY-
MENTS REPORTING AS PUBLISHED BY IFI'S OR, PERHAPS
LATER, BY THE BANK ITSELF, SHOULD BE USE IN PREFERENCE
TO THOSE FROM OTHER SOURCES.

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NEWSOM

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Message Attributes

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